

SCOPE OF WORK

“CFTC Auditor Training”



I. GENERAL INFORMATION

Background

Congress created the Commodity Futures Trading Commission (“CFTC” or “Commission”) in 1975 as an independent agency with the mandate to regulate commodity futures and option markets in the United States. The Commission protects market participants against manipulation, abusive trade practices and fraud. Through effective oversight and regulation, the CFTC enables the markets to serve better their important functions in the nation’s economy – providing a mechanism for price discovery and a means of offsetting price risk.

CFTC is comprised of five Commissioners appointed by the President of the United States. The President also designates one of the Commissioners to serve as Chairperson. The Commission currently employs approximately 700 people who operate from a headquarters office in Washington, DC and regional offices in Chicago, New York, and Kansas City. The majority of CFTC’s workforce is attorneys, economists, auditors, and trading investigators.

The CFTC is currently undergoing a period of rapid change and unprecedented growth due to the economic stresses that emerged in the external financial and regulatory environment in 2008 and which continue today. In addition, in December 2009, the U.S. Office of Personnel Management issued in the Federal Register its final rule implementing training and development requirements contained in the Federal Workforce Flexibility Act of 2004. Building on these two significant events, the CFTC wishes to ensure its training program remains dynamic and able to effectively and efficiently address emerging training requirements.

The Division of Swap Dealer and Intermediary Oversight (DSIO) oversees the registration and compliance of swap dealers, major swap participants, futures commission merchants, introducing brokers, commodity pool operators, commodity trading advisors, retail foreign exchange dealers, and other swap and futures market intermediaries. The Division’s oversight program is designed to ensure that these intermediaries are financially sound and meet standards for fitness and conduct as set forth in the Commodity Exchange Act and the Commission’s regulations. The Division assesses and monitors swap dealers’, futures commission merchants’, and other intermediaries’ compliance with capital, margin, customer asset segregation, and customer protection requirements; internal and external business conduct standards; and reporting, disclosure, and recordkeeping requirements. Division staff develops regulations, orders, and interpretative statements on issues relating to swap dealers, futures commission merchants, and other intermediaries; reviews registration applications; reviews financial and other business data of registrants; designs audit modules and conducts examinations of registrants for compliance with the Commodity Exchange Act and Commission regulations; provides advice to other Divisions and Offices in the Commission regarding issues involving swap dealers, futures commission merchants, and other intermediaries; and assesses the risk posed by swap dealers, futures commission merchants, and other intermediaries to the derivatives markets. The Division also oversees and examines the National Futures Association and other self-regulatory organizations, which in turn implement the registration, examination, and surveillance of registrants, as delegated by the Commission.

II. SCOPE

The Contractor shall furnish all necessary services, materials, supplies and equipment (except for Government Furnished Property), and otherwise do all things necessary for, and incidental to, performance of the Scope of Work. Training shall be provided on site to CFTC employees at the New York, Chicago, and Kansas City Regional Offices. Although the training may be conducted in-person at one regional office, other offices may participate via video-conferencing providing the total number of attendees does not exceed 20 individuals, unless otherwise agreed upon between the CFTC and Contractor.

The general scope of this BPA includes the development and implementation of a custom regulatory CFTC auditor training program including but not limited to: identifying and reviewing financial liquidity concerns and risks; understanding these concepts from a regulatory perspective; and how to monitor for and identify potential risk. In addition, the training shall facilitate an understanding of the following:

- 1) How to identify red flags in financial statements – including footnotes;
- 2) How to use analytics in evaluating financials;
- 3) What to look for when identifying risk and what to be concerned about;
- 4) How to evaluate a firm's liquidity levels;
- 5) What an 'evergreen facility' and other types of credit facilities mean; and,
- 6) How to identify secured vs. unsecured funds and evaluate potential impacts that come from parent companies and other liabilities.

III. TASKS

Task A – Kick-Off Meeting

Within five (5) business days after award, the Contractor shall schedule and attend a kick-off meeting with the Contracting Officer's Representative (COR) and other CFTC staff to discuss the requirements of this Scope of Work.

Task B – Course Outline and Lesson Plan

Each class shall include real-life case studies (e.g., Knight Capital) centering around the industry CFTC regulates, and require interactive class participation.

Within 10 business days after award the Contractor shall submit course outlines to the COR that logically group the topics below into eight (8) hour training sessions.

- a. Accurately assess financial integrity of firms
- b. Financial Statements Review
 - i. How to identify potential red flags
 - ii. What to look for when identifying risk and what to be concerned about

- iii. How to properly analyze footnotes and identify concerns
 - iv. How analytics should be used in the evaluation
 - v. What are the key areas in a 10K, 10Q or 8K that an examiner should be focused on
 - vi. The impact of affiliate risk on a financial integrity and how to identify and assess this risk
- c. Liquidity
 - i. How to evaluate a firm's liquidity levels
 - ii. What does "evergreen facility" or other credit facilities mean
 - iii. Understanding and evaluating secured vs. unsecured funds
 - iv. Affiliated entities, parent company impact, other liabilities
 - v. Types of funding
- d. FCMs & Swap Dealers
 - i. Specifically identify financial statement items unique to these entities

The COR will have seven (7) business days to review the proposed course outlines and provide feedback. The Contractor shall address all feedback back and revise the course outlines within three (3) business days of receipt of feedback and submit the final course outlines to the COR.

The Contractor shall submit draft lesson plans to the COR not later than 10 business days from submission of final course outlines. The COR will have seven (7) business days to review the proposed lesson plans and provide feedback. The Contractor shall address all feedback back and submit the final lesson plans within five (5) business days of receipt of feedback from the COR.

The Contractor shall submit a draft version of the course materials to the COR 15 business days prior to the scheduled class. The COR will have seven (7) business days to review the proposed course materials and provide feedback. The Contractor shall address all feedback back and submit a copy of the final course materials within five (5) business days after receipt of feedback from the COR.

Task C – Post-Course Evaluation

The Contractor shall develop a Level I – Reaction evaluation for participants to complete upon conclusion of the class. The evaluation shall be submitted to the COR 10 business days prior to the start of the scheduled course for review and approval. At the conclusion of each course, the Contractor shall provide the approved evaluation to participants to complete. The Contractor shall collect the completed evaluations and provide the results to the COR with the next monthly report submittal.

Task D – Revision of Courses

Courses that are developed may need to be revised as a result of feedback from the post-course evaluation or changes in laws, rules and regulations affecting the CFTC occur. Upon notification from the COR that a course(s) needs to be revised, the contractor shall update the applicable

course outlines, lesson plans and course materials and provide to the COR within 30 business days of notification.

Task E – Post-Course Contractor Availability

The Contractor shall be available for up to five (5) post-course hours within two (2) weeks of course completion for the purpose of accommodating dialogue with CFTC to help improve future courses, and to answer participants' questions.

Task F – Monthly Progress Reporting

The Contractor shall provide monthly progress reports. The monthly reports shall be due on the 15th of each month and shall include the following information:

- a) Work completed during the reporting period;
- b) Issues identified and a plan for addressing them;
- c) Work in-progress;
- d) Amount of funding expended (current month and cumulative); and,
- a) Amount of funding remaining under the contract

IV. DELIVERABLE SUBMISSION

All draft and final deliverables shall be submitted in Microsoft Word, PowerPoint, or PDF. Electronic deliverables must be compliant with Section 508 of the Rehabilitation Act. Once deliverables have been accepted by the COR, that deliverable shall become the property of CFTC. CFTC shall have the right to distribute, amend and edit deliverables including course manuals, course presentation, certifications and other documents. Documentation that is considered to be proprietary in nature or cannot be distributed without authorization shall clearly display a statement that the document is considered proprietary and is not authorized for redistribution.

Requirement	Type	Due Date
Kick-Off Meeting	N/A	Within five (5) business days after award
Course Outlines	Draft	Within ten (10) business days after award
Course Outlines	Final	Within three (3) business days after receipt of feedback from COR

Lesson Plans	Draft	Within 10 business days after submission of final course outlines
Lesson Plans	Final	Within five (5) business days after receipt of feedback from COR
Course Materials	Draft	15 business days prior to scheduled course
Course Materials	Final	Within five (5) business days after receipt of feedback from COR
Level I – Reaction Evaluation	Draft	Ten business days prior to scheduled course
Level I – Reaction Evaluation Results	Final	Include in the Monthly Progress Report directly following completion of course
Course Revisions	N/A	Within 30 business days of notification of change
Monthly Progress Report	N/A	15 th of the Month